

Form ADV Part 2A

Firm Brochure

Bear Stearns Asset Management Inc.

File No. 801-29862

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This brochure provides information about the qualifications and business practices of Bear Stearns Asset Management Inc. ("BSAM" or the "Adviser"). If you have any questions about the contents of this brochure, please contact us at (212) 648-1999. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about BSAM, including a copy of our Form ADV Part 1, is also available on the SEC's website at www.adviserinfo.sec.gov.

BSAM is registered as an investment adviser with the SEC. Such registration does not imply a certain level of skill or training.

ITEM 2

Summary of Material Changes

The material items within BSAM's Form ADV Part 2A (commonly referred to as the "Brochure") that were revised since the last annual update of the Brochure dated March 30, 2016 are as follows:

On March 11, 2016, BSAM finalized a spin-out of certain investment vehicles and related assets to an affiliate of Fortress Investment Group LLC ("FIG"). As part of the spin-out, twelve of BSAM's fourteen employees also transitioned to FIG. While BSAM continues to manage several closed-ended private investment funds that are in the disposition phase of their life cycle, it no longer actively solicits new investors or investment opportunities.

The changes incorporated in this version of the ADV reflect the transaction with FIG and the related shift in the adviser's investment activities.

Please consult the full Brochure for additional information regarding the changes described above. Capitalized terms used in this section shall have the meanings assigned to them in the main body of the Brochure.

ITEM 3

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ITEM 4 Advisory Business

A. General Description of Advisory Firm

This Brochure relates to the investment advisory services offered by Bear Stearns Asset Management Inc. ("BSAM" or the "Adviser"), which is a U.S. investment adviser operating under J.P. Morgan Asset Management ("JPMAM"). JPMAM is the marketing name for the asset management businesses of JPMorgan Chase & Co. ("JPMC"), a publicly traded company, and its affiliates worldwide. BSAM is wholly-owned by The Bear Stearns Companies LLC which is a subsidiary of JPMC. BSAM was incorporated in New York on March 15, 1985. BSAM is registered with the SEC as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act").

B. Description of Advisory Services

BSAM provides discretionary investment management services and products primarily to institutional clients. While BSAM continues to manage several closed-ended private investment funds that are in the disposition phase of their life cycle, it no longer actively solicits new investors or investment opportunities. As a result, certain of the information in the ADV may not be applicable to these funds. BSAM still operates as registered investment advisor under the Advisers Act and as such, maintains a fiduciary relationship with its remaining clients. The fiduciary standards are established under the Advisers Act and applicable state laws and include:

- Obligations to disclose all material conflicts of interest to clients;
- Obligations to disclose if BSAM, or an affiliate of BSAM receives additional compensation from a client or a third-party as a result of BSAM's relationship with a client;
- BSAM must obtain informed consent from clients before engaging in transactions with clients for its own account, that of an affiliate, or another client when acting in an advisory capacity;
- BSAM must treat all of its advisory clients fairly and equitably and cannot unfairly advantage one client to the disadvantage of another;
- The investment decisions or recommendations made by BSAM must be suitable and appropriate for clients and consistent with client investment objectives, goals, and restrictions placed on BSAM; and.
- BSAM must act in what it reasonably believes to be each client's best interests and in the event of a conflict of interest, must place each client's interests before its own.

C. Availability of Customized Services for Individual Clients

BSAM made investments for clients in accordance with mutually agreed-upon written investment guidelines and continues to provide supervision of client portfolios. Investment services have been tailored for each client's specific needs and investment objectives. BSAM has established procedures and controls to help ensure compliance with each client's specific investment guidelines and any client-imposed restrictions.

D. Wrap Fee Programs

Not applicable.

E. Assets Under Management

As of December 31, 2015, BSAM had assets under management in the amounts set forth below:

Assets Under Management	U.S. Dollar Amount
Assets Managed on a Discretionary Basis	\$ 507,608,020
Assets Managed on a Non-Discretionary Basis	\$ 0
Total Assets Under Management	\$ 507,608,020

ITEM 5
Fees and Compensation

A. Advisory Fees and Compensation

It is the general policy of BSAM to charge fees to clients in accordance with the particular strategy or product and fee schedule in effect at the time of the contract. Generally fees are payable quarterly in advance. To the extent permitted under the Advisers Act, BSAM may charge performance-based fees, as well as asset-based fees. For an additional discussion of performance-based fees, please refer to Item 6. The offering memorandum, subscription agreement and/or other governing document of each unregistered pooled investment fund sets forth the applicable fees and expenses.

B. Payment of Fees

Its fees may be paid directly by a pooled investment fund as disclosed in the prospectuses, offering memorandum or other materials of the fund.

With respect to some of its pooled investment vehicles, such vehicles may enter into “side letter” agreements with certain investors that provide for investment terms that may differ from the terms described in its offering documents. Such terms may include waivers reducing or rebating management fees and/or performance-based fees. Side letter agreements will not generally entitle other investors to the same terms of any such side letter agreements. A pooled investment vehicle will enter into side letter agreements only if and to the extent they are consistent and implemented in accordance with the governing documents of such vehicle and the fiduciary duties owed to its investors.

C. Additional Fees and Expenses

In addition to the advisory fees described above, clients may be subject to other fees and expenses in connection with BSAM’s advisory services.

Transaction Charges

Clients may pay brokerage commissions, taxes, legal fees, charges and other costs related to the purchase and sale of investments for a client’s account. See Item 12 for additional information regarding BSAM’s brokerage practices.

Performance-Based Fees

In addition, for certain pooled investment vehicles that BSAM advises, BSAM receives a performance-based fee in addition to a management fee. Performance-based fees are charged subject to applicable law and are negotiable. Performance-based fees may be subject to annual or lifetime high water marks and/or annual preferred returns. When applicable, BSAM will comply with the provisions of Rule 205-3 of the Advisers Act with respect to clients who are charged performance-based fees.

D. Prepayment of Fees

BSAM charges advisory fees in advance for certain private funds. If a client terminates the advisory contract before the end of the billing period, BSAM may, at its discretion, refund either all or part of the fees paid in advance.

E. Additional Compensation and Conflicts of Interest

BSAM does not receive compensation for the sale of securities or other investment products.

Depending on the type of fee arrangements with a client, BSAM could face a conflict of interest in allocating client assets. For example, if a client only pays an account level advisory fee and the Adviser is responsible for the payment of advisory fees with respect to the underlying investment vehicles, then the Adviser will have an incentive to invest the client assets in an investment vehicle that charges lower fees. Please refer to the offering document for the pooled investment vehicles in which your account is invested for additional information and disclosure related to fees and potential conflicts of interest.

For a description of circumstances whereby the Adviser has relationships with affiliates or other parties that may result in indirect compensation or benefits to the Adviser or its affiliates, please see Item 10.C.

ITEM 6

Performance-Based Fees and Side-by-Side Management

A. Performance-Based Fees

Clients of BSAM pay various types of fees for investment advisory and portfolio management services. BSAM manages portfolios that may be charged an incentive or performance-based fee and/or fees based on a percentage of assets under management or capital commitments. BSAM's fee structure is more fully described in Item 5.

B. Side-by-Side Management and Potential Conflicts of Interest

Certain BSAM portfolio managers simultaneously manage accounts that are charged performance-based fees and accounts that are charged asset-based fees. The portfolio managers of these accounts from time to time utilize substantially similar investment strategies and may have invested in substantially similar assets for both account types. This portfolio management relationship is often referred to as "side-by-side management". Accounts that pay performance-based fees reward the adviser based on the performance in those accounts. As a result, performance-based fee arrangements likely provide a heightened incentive for portfolio managers to make investments that present a greater potential for return but also a greater risk of loss and that may be more speculative than would exist if only asset-based fees were applied. On the other hand, the Adviser will likely have an interest in engaging in relatively safe investments when managing accounts that pay asset-based fees. The side-by-side management of accounts that pay performance-based fees and accounts that only pay a fixed-rate fee creates a conflict of interest because there is an inherent incentive for the portfolio manager to favor accounts with the potential to receive greater fees. For example, a portfolio manager will be faced with a conflict of interest when allocating scarce investment opportunities, given the possibility of greater fees from accounts that pay performance-based fees as opposed to accounts that do not pay performance-based fees.

BSAM is guided by fiduciary principles in the management of conflicts of interest. BSAM is expected to always act in the best interests of its clients and in accordance with the duty of good faith. BSAM's fiduciary obligation applies in every aspect of its dealings with clients regardless of the account relationship, assets under management or fee structure. BSAM takes its fiduciary obligation very seriously. To address these types of conflicts, BSAM has adopted policies and procedures pursuant to which allocation decisions may not be influenced by fee arrangements and investment opportunities will be allocated in a manner that BSAM believes is consistent with its obligations as an investment adviser.

BSAM has established policies and procedures designed to achieve fair and equitable allocation of investment opportunities, and to enable BSAM to make investment decisions among its clients in a manner that at its sole discretion and consistent with its fiduciary obligations to each of its clients, it considers to be reasonable.

ITEM 7

Types of Clients

BSAM primarily provides investment advisory services to pooled investment vehicles.

For certain types of investment funds managed by the Adviser, U.S. investors must generally satisfy certain investor sophistication requirements, including that the client is an “accredited investor” under Rule 501(a) of Regulation D under the Securities Act of 1933, as amended, and/or a “qualified purchaser” within the meaning of section 2(a)(51) of the Investment Company Act of 1940.

ITEM 8

Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis and Investment Strategies

BSAM utilizes different methods of analysis that are tailored for each of the investment strategies it offers its clients. Set forth below are the primary methods of analysis that BSAM utilizes for its investment strategies.

This Item 8 includes a discussion of the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing and the particular risks applicable to a client account will depend on the nature of the account, its investment strategy or strategies and the types of securities held. While the Adviser seeks to manage accounts so that risks are appropriate to the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. See Item 8.B for additional information regarding investment risks.

Private Equity

BSAM has invested its client's money primarily in the private equity market. It has done this by making commitments to private equity funds managed by third parties (partnership investments) and investing directly in companies either alone or together with third-party private equity managers (direct company investments).

Successful private equity investing depends to a large degree on the ability to attract and develop a steady flow of quality investment opportunities, and to select investments that will produce superior risk adjusted returns from these opportunities.

Partnerships

The selection process for partnership investments requires initial screening of new proposals, meetings with third-party private equity management teams, and extensive due diligence. When making

partnership investments, BSAM has taken a bottom up approach designed to assess the probability of a general partner's future success, and focuses on, among other things, the track record and reputation of the principals, their investment thesis and strategy, and the decision-making process and relevant past performance of the general partner. Areas of focus that BSAM has utilized during past due diligence reviews are summarized below:

<u>Area</u>	<u>Key criteria</u>
Background of individuals	<ul style="list-style-type: none"> • Relevant experience/reputation of individuals • Extent to which backgrounds are complementary • Experience as a team
Status of General Partner	<ul style="list-style-type: none"> • Governance • Turnover of principals • Vesting of partners • Disciplined investment process • Overall staffing and office infrastructure • Communications with limited partners
Deal flow	<ul style="list-style-type: none"> • Sources of deal flow • Ability to generate proprietary deals • Volume and quality
Performance track record	<ul style="list-style-type: none"> • Portfolio and deal-by-deal performance analyses • Pattern of successful deals • Invest consistent with stated strategy • Valuation methodology • Distribution policy
Investment strategy	<ul style="list-style-type: none"> • Changes from previous partnerships • Differentiation of investment thesis • Attractiveness of investment focus • Deal selection process • Depth and quality of due diligence • Quality of individual investments • Deal management/involvement of general partner • Exit strategy
Terms of proposed partnership	<ul style="list-style-type: none"> • Changes from previous partnerships • Management fees, carried interest structure, "claw back" • "Key person" provisions • Allocation of other fees (transaction fees, director's

fees, etc.)

- Size consistent with capacity to generate deal flow
- General partner investment
- Conflicts of interest
- Creation of advisory committee
- Co-investment policy for general and limited partners

Direct Company Investments

Direct investment opportunities in companies were sourced through BSAM's relationships with affiliated and third party private equity managers. BSAM's direct investment selection process was designed to capitalize on the due diligence work performed by the general partners. Although a general partner's due diligence was not a substitute for BSAM's own assessment of the opportunity, BSAM has benefited from the general partner's work and expertise and thus freed up time and resources for BSAM to focus its efforts on aspects of the investment that were of particular interest and concern.

The most important selection criteria for direct company investments included the projected returns, the company's relative position in its industry, the attractiveness of the industry, valuation, depth of the management team, type of security issued, and the alignment of interests with the general partner.

B. Material, Significant, or Unusual Risks Relating to Investment Strategies

The investment strategies used by BSAM are subject to material risks. An account or fund may not achieve its objective if BSAM's expectations regarding particular securities or markets are not met.

BSAM disclosed risk factors to its clients in its investment management contract, and in the case of pooled investment funds, through the prospectus, offering memorandum or other materials of the fund.

Set forth below are some of the material risk factors that are often associated with the investment strategies and types of investments relevant to most of BSAM's clients. The information included in this Brochure does not include every potential risk associated with each investment strategy or applicable to a particular client account. Clients are urged to ask questions regarding risk factors applicable to a particular strategy or investment product, read all product-specific risk disclosures and determine whether a particular investment strategy or type of security remains suitable for their account in light of their specific circumstances, investment objectives and financial situation.

General Market Risk. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions.

Investment Environment and Governmental Actions. Instability in the United States or global financial markets, or changes in economic, political, market, or regulatory conditions, as well as other factors outside of our control, could materially affect our investment strategies. General economic activity and interest rates may affect the value of our investments. In addition, recent fluctuations in world financial markets have spurred regulators in the United States and several other countries to take novel regulator actions. It is still unclear whether these actions will be able to prevent loss and minimize volatility in securities markets. Furthermore, the future may bring significant new regulations that could restrict investment opportunities or change the functioning of the capital markets. Moreover, a serious global economic decline is possible.

Business and Regulatory Risks of Alternative Asset Managers. Legal, tax, and regulatory changes could materialize that adversely affect our investment strategies. The legal, tax and regulatory environments for alternative investments are constantly evolving and developments in regulation may have a substantial and adverse affect on our business. Increased governmental and self-regulatory scrutiny have increased in recent years on the heels of market disruptions and the striking increase in capital allocated to alternative investment strategies. In conjunction with increased regulatory burdens, government entities have pushed for legislation proposing greater regulation of the industry, and such legislation is periodically considered by United States and foreign jurisdictions. We cannot predict the occurrence or substance of future changes in the regulations applicable to us and the accounts we manage, and counterparties with whom we invest.

Institutional Risk. The institutions, including brokerage firms and banks, with which our accounts directly or indirectly do business may encounter financial hardships, fail, or otherwise be unable to meet their obligations. In addition, these financial institutions may become subject to legal, regulatory, reputational, or other unanticipated risks that could have material adverse effects on the activities and operations of our accounts.

Dependence on BSAM Employees. The success of each of our accounts depends in large part on the skill and expertise of the portfolio managers and other professionals whom we employ. We cannot ensure that our portfolio managers and other professionals will continue in our employment throughout the life of a specific account or fund. The loss of one of these persons could have a material adverse effect on the accounts he or she manages.

Illiquidity. Some of our strategies may involve investing in relatively illiquid investments. An appreciable portion of these assets may consist of investments that are thinly traded, investments for which no market exists, or investments whose transferability is restricted under applicable securities laws or documents governing particular transactions. Some instruments that were liquid at the time of acquisition may later become illiquid for a variety of reasons which may be outside our control. The illiquid nature of these instruments may limit the ability of our accounts to sell such investments at their fair market value prior to the termination of these accounts.

Non-United States Investments. Many of our strategies invest in non-U.S. investments, which involve risks and special considerations not typically present when investing in United States investments. Such risks and considerations include: the risk of nationalization or expropriation of assets or confiscatory taxation; social, economic and political uncertainty, including war and revolution; dependence on exports and the significance of international trade; price variations, market volatility, declining liquidity and smaller capitalization of securities markets; currency exchange rate fluctuation and inflation rates; controls on, and changes in controls on, non-U.S. investments and the limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; government involvement in and control over the economies; government decisions to impose centrally planned economies in lieu of supporting economic reform programs; disparities in financial auditing and reporting standards which may result material information about issuers being unavailable; less comprehensive corporate laws regarding fiduciary duties and the protection of investors and; potentially less reliable judicial systems to enforce contracts and relevant laws.

Leverage. Some of our strategies invest in companies whose capital structures may have substantial leverage. Declines in revenues and increases in expenses and interest rates may affect these investments more due to their intrinsic sensitivity to such changes. The leveraged capital structure of such investments magnifies the effects of unfavorable economic factors such as declines in the economy

or deterioration in the condition of the portfolio company or its industry, which could cause the loss of entire investment and the possibility of loss exceeding the original amount of an investment.

Third Party Litigation. Our accounts' investment activities subject them to the risks of becoming involved in litigation by third parties. This risk is somewhat greater where we exercise control of, or significant influence in, a company's direction. The expense of defending third party claims and paying any amounts pursuant to settlements or judgments would, absent certain conduct by us or our affiliates, increase the costs of the account holding the investment.

Lack of Diversification. Except as otherwise indicated in the governing documents of an account, BSAM is under no obligation to diversify accounts among a wide range of industries or issuers. As such, returns on investments may be subject to more rapid changes than would be the case if we were required to maintain wide diversification among companies and industries.

Tax Matters. Dividends, interest, and capital gains, among other types of income, may be taxed as such in the countries in which our accounts invest. There is the possibility that these taxes could be reduced pursuant to an income tax treaty between the home jurisdiction of our pooled investment vehicles and the other jurisdictions in which our accounts invest. However, there can be no assurance that the treaty benefits will be available in any particular instance, as this depends entirely on the terms of the treaty and the timely provision of documentation. Moreover, if the accounts above are entitled to treaty benefits, taxes may still be deducted by the payers of income, with a material delay before refunds of such taxes can be obtained from the authorities. In addition, changes in tax laws or tax treaties, or the interpretation of either, of the countries in which our accounts invest, may severely hamper their ability to realize income or capital gains and our accounts and investors in pooled vehicles may be subject to tax and return filing obligations in such countries. Complex tax issues related to investment in our pooled vehicles or the initiation of a separately managed account may arise.

Access to Material, Non-Public Information. Occasionally, BSAM may encounter confidential or material non-public information in connection with the activities of various investment strategies. This may cause BSAM to be restricted from initiating certain transactions in securities. While in possession of such information, BSAM will generally not be free to trade upon such information in conformation with applicable laws. Because of these restrictions, BSAM may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Hedging Risk. Certain clients may use currency hedging strategies. Currency hedging, including but not limited to, forward currency contracts, may be riskier than other investments because they may be more sensitive to changes in economic and market conditions. Hedging exposes an investment portfolio to counterparty risk (the risk that the counterparty will not fulfill its contractual obligations), including the credit risk of the counterparty.

Dodd-Frank Risk. Pending and ongoing regulatory reform may have a significant impact on BSAM's investment advisory business. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") was signed into law in the United States. Dodd-Frank is expansive in scope and requires the adoption of extensive regulations and numerous regulatory decisions in order to be implemented fully. Dodd-Frank may significantly change BSAM's operating environment and the financial markets in general in unpredictable ways. It is not possible to predict the ultimate effects that Dodd-Frank, or subsequent implementing regulations and decisions, will have upon BSAM's business and results of operations. Among the potential impacts of Dodd-Frank, provisions of Dodd-Frank referred to as the Volcker Rule will likely impact the method by which BSAM seeds, invests in and operates its private

investment funds, including private equity funds and hedge funds. The impact of the Volcker Rule on liquidity and pricing in the broader financial markets is unknown at this time. The Volcker Rule became effective on July 21, 2012, and banking entities (including JPMC and its subsidiaries, including BSAM) have until July 2016 to conform their activities into compliance with the Volcker Rule unless an extension applies. Among other things, the Volcker Rule generally prohibits pooled investment vehicles from engaging in transactions that would cause a banking entity or its affiliates to have credit exposure to a pooled investment vehicle managed by its affiliates, that would involve or result in a material conflict of interest between the banking entity and its clients, customers or counterparties, or that would result, directly or indirectly, in a material exposure by the banking entity to high-risk assets or high-risk trading strategies. These restrictions could materially adversely affect accounts that are, or are invested in, pooled investment vehicles, including because the restrictions could limit a pooled investment vehicle from obtaining loans or other commercial benefits from BSAM.

Private Equity Specific Risks. The structure of private equity investment vehicles presents certain risks, apart from the portfolios of investments, of which investors should be aware.

Long-term Commitment Required

A commitment is a long-term investment. The expected term of each investment vehicle can last an extended time. The investment vehicles may draw down the capital commitments of investors at any time during their term. There will be a substantial period of time during which investors may be obligated to provide capital without receiving any return and regardless of the performance of the investment vehicles. Investors should be willing to hold their interests until the liquidation of the investment vehicles.

Lack of Control by Investors

Investors will not have the ability to select, veto or cause the sale or other disposition of any investments by the investment vehicles or to determine the timing of any takedown, distribution or liquidation of the investment vehicles.

Illiquidity; Restrictions on Transfer and Withdrawal

An investment in the investment vehicles will be highly illiquid. Except in certain very limited circumstances investors will not be permitted to transfer their interests without the prior written consent of the General Partner of the relevant investment vehicle, which may be granted or withheld in its sole discretion. The transferability of interests in the investment vehicles also will be subject to certain restrictions contained in the substantive documents and restrictions on resale imposed under applicable securities laws.

Penalty for Default

An investor that defaults on any payment with respect to its capital commitment to an investment vehicle will be subject to substantial penalties. Penalties may include one or more of the following: converting the investors interest into a special non-voting interest that is only allocated losses and expenses; terminating the investor's right to participate in future investments; reducing investor's interest in the investment vehicle; and offering the investor's interest to a third party at a substantial discount to the investor's capital account value.

Diversification Risk

Each investment vehicle may make only a limited number of investments and, as a consequence, the aggregate return on investments may be substantially adversely affected by the unfavorable performance of one or a small number of the investments.

Risks of Corporate Finance and Venture Capital Investments

Investments made in connection with acquisition transactions are subject to a variety of special risks, including the risk that the acquiring company has paid too much for the acquired business, the risk of unforeseen liabilities, the risks associated with new or unproven management or new business strategies and the risk that the acquired business will not be successfully integrated with existing businesses or produce the expected synergies.

Venture companies may be in a conceptual or early stage of development, may not have a proven operating history, may have products that are not yet developed or ready to be marketed or that have no established market.

Companies may face significant fluctuations in operating results, may need to engage in acquisitions or divestitures of assets in order to compete successfully or survive financially, may be operating at a loss, may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or otherwise may have a weak financial condition.

Companies may be highly leveraged and, as a consequence, subject to restrictive financial and operating covenants. The leverage may impair the ability of these companies to finance their future operations and capital needs. As a result, these companies may lack the flexibility to respond to changing business and economic conditions, or to take advantage of business opportunities.

Companies may face intense competition, including competition from companies with far greater financial resources, more extensive development, manufacturing, marketing and other capabilities, and a larger number of qualified managerial and technical personnel.

C. Risks Associated With Particular Types of Securities

See Item 8.B for a summary of the risks associated with certain types of securities and asset classes.

ITEM 9
Disciplinary Information

A. Criminal or Civil Proceedings

BSAM has no material civil or criminal actions to report.

B. Administrative Proceedings Before Regulatory Authorities

In September 2007, BSAM was contacted by and received requests for information and documents from various federal and state regulatory and law enforcement authorities regarding two investment funds that were managed by BSAM: the Bear Stearns High Grade Structured Credit Strategies Master Fund, Ltd. and the Bear Stearns High Grade Structured Credit Strategies Enhanced Leverage Master Fund, Ltd. On November 14, 2007, the Massachusetts Securities Division filed an administrative complaint against BSAM alleging that BSAM violated multiple provisions of the Massachusetts Securities Act by failing to adequately disclose and/or manage conflicts of interest related to procedures for related party transactions. The action was settled via the filing of a consent order on November 13, 2008. The order states that BSAM failed to reasonably supervise its employees. Under the order, BSAM agreed to a censure, a cease and desist order and to pay \$9,297,620 to a bank account to be handled by an independent claims administrator.

C. Self-Regulatory Organization (SRO) Proceedings

The Adviser has no material SRO disciplinary proceedings to report.

ITEM 10
Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status

BSAM is not a registered broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

BSAM is not registered as a Commodity Pool Operator or a Commodity Trading Adviser with the CFTC or the NFA.

C. Material Relationships or Arrangements with Industry Participants

BSAM is a wholly-owned subsidiary of The Bear Stearns Companies LLC, which is a subsidiary of JPMC.

The Adviser is part of a large financial services firm. In connection with providing investment advisory services to its clients, the Adviser from time to time uses or recommends its own products and services or those of its affiliates or other related persons.

The following companies have arrangements with BSAM that are material to BSAM's advisory business or BSAM's clients:

Broker-Dealers

- J.P. Morgan Securities LLC. ("JPMS"), an affiliate, is dually registered as a broker-dealer with FINRA and an investment adviser with the SEC. JPMS is also registered as a futures commission merchant with the CFTC. JPMS is a wholly-owned subsidiary of JPMC. BSAM may pay compensation to JPMS for brokerage services. BSAM has a revenue sharing arrangement with JPMS for the Access Funds Program.

Other Investment Advisers

- Constellation Growth Capital, LLC ("CGC") is a subsidiary of Highbridge Capital Management, LLC ("HCM"), an affiliated investment adviser. CGC is a venture capital fund manager which has a sub-advisory agreement with BSAM to manage certain private equity funds. CGC provides investment advice and quarterly valuations to these private equity funds. BSAM also has a revenue sharing arrangement with CGC.
- BSAM may recommend its affiliated investment advisers to clients and may invest, with client consent, in funds managed by its affiliates. These affiliated investment advisers may include CGC, HCM, JFIMI, JPMAM(UK), J.P. Morgan Alternative Asset Management Inc., J.P. Morgan Investment Management Inc., and Security Capital Research & Management Incorporated. In order to avoid conflicts of interest in such scenarios, the Advisor generally does not charge advisory fees when investing in funds managed by its affiliates.

In addition, BSAM is part of a large financial services firm. In connection with providing investment advisory services to its clients, BSAM may use the products or services of its affiliates or other related persons, as described below.

Partnerships and Limited Liability Companies

- BSAM serves as advisor to various U.S. private funds, unregistered investment companies and pooled funds organized or formed under the laws of various countries.
- From time to time, BSAM or its related persons act as a general partner or special limited partner of a limited partnership, or as a managing member or special member of a limited liability company to which BSAM serves as an advisor. BSAM and related persons may solicit BSAM's clients to invest in such limited partnerships or limited liability companies, for which BSAM or a

related person may receive compensation. BSAM also provides services to unregistered funds in which a related person is acting as a general partner or managing member.

- Certain portfolio managers or employees of the Adviser may serve as directors of portfolio companies and partnership investments in which client assets (such as private funds) managed by the Adviser invest and, in that capacity, may be required to make decisions that they consider to be in the best interests of the portfolio company or partnership investments. In certain circumstances, such as in situations involving bankruptcy or near insolvency of the portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of the Adviser's clients. Accordingly, in these situations, conflicts of interest will likely arise between an individual's duties as a member of the investment team or officer or employee of the Adviser and such individual's duties as a director of the portfolio company. Additionally, the Adviser's related persons may enter into transactions with a portfolio company (for example, a property lease), which may create a conflict of interest. While it is generally expected that any such transaction would be on arm's length terms, it is possible that the portfolio company may pay higher fees or receive fewer benefits in the transaction than it would if the counterparty to the transaction were an entity other than JPMC, which will ultimately impact the client portfolios' performance and returns. The Adviser will be guided when appropriate by more specific policies and procedures in relation to such conflicts and consistent with its overall obligations as a fiduciary to its clients.

Outside Counsel Engagement

- JPMC and its affiliates have entered into arrangements with service providers that include fee discounts for services rendered to JPMC and its affiliates. For example, certain law firms retained by JPMC or one or more of its affiliates discount their legal fees based upon the type and volume of services provided to JPMC or its affiliates. The cost of legal services paid by BSAM's clients is separately negotiated and is not included in the negotiation or calculation of the JPMC rate and, as a result, the fees that are charged to the clients typically reflect higher billing rates. In the event legal services are provided jointly to JPMC or its affiliates and a client with respect to a particular matter, the client and JPMC will each bear their pro-rata share of the cost of such services which may reflect the JPMC discount or a higher rate, depending on the facts and circumstances of the particular engagement.

D. Material Conflicts of Interest Relating to Third-Party Investment Advisers

BSAM does not use the advisory services of unaffiliated investment advisers for its client's accounts. See Item 10.C for a discussion of relationships that BSAM has with other investment advisers that are subsidiaries of JPMC.

ITEM 11**Code of Ethics, Participation or Interest in Client Transactions, Personal Trading and Other Conflicts of Interest****A. Code of Ethics**

BSAM and its registered investment advisory affiliates have adopted the JPMAM Code of Ethics (the “Code of Ethics”) pursuant to Rule 204A-1 under the Advisers Act. The Code of Ethics is designed to provide that BSAM employees comply with applicable federal securities laws and place the interests of clients first in conducting personal securities transactions. The Code of Ethics imposes certain restrictions on securities transactions in the personal accounts of covered persons to help avoid conflicts of interest, as described more fully below. A copy of the Code of Ethics is available free of charge to any client or prospective client upon request by contacting your client service representative or financial adviser.

Additionally, all BSAM employees are subject to the JPMC firm-wide policies and procedures found in the JPMC Code of Conduct (the “Code of Conduct”). The Code of Conduct sets forth restrictions regarding confidential and proprietary information, information barriers, private investments, outside business activities and personal trading. All JPMC employees, including BSAM employees, are required to comply with the Code of Conduct’s terms as a condition of continued employment.

Code of Ethics

The Code of Ethics requires JPMAM’s employees and other supervised persons to place the interests of JPMAM clients before their own personal interests at all times and to avoid any actual or potential conflicts of interest. All actual or potential conflicts of interest must be disclosed to the JPMAM Compliance Department, including those resulting from an employee’s business or personal relationships with customers, suppliers, business associates, or competitors of JPMC, or with other JPMC employees. Certain transactions or activities may be restricted by the Code of Conduct, the Code of Ethics or Compliance policies. The Code of Ethics contains policies and procedures relating to:

- Personal trading, including reporting and pre-clearance requirements for certain personnel of BSAM
- Confidentiality obligations to clients and compliance and training with respect to securities laws, privacy, the Bank Secrecy Act, anti-money laundering and related matters
- Conflicts of interest, including policies relating to restrictions on trading in securities of clients and suppliers, gifts and entertainment, political and charitable contributions and outside business activities.

In general, the personal trading rules under the Code of Ethics require that accounts of employees and associated persons be maintained with a designated broker and that all trades in reportable securities for such accounts be pre-cleared and monitored by compliance personnel. The Code of Ethics also prohibits certain types of trading activity, such as short-term and speculative trades. Employees of BSAM must obtain approval prior to engaging in all covered security transactions, including those issued in private placements. In addition, employees of BSAM are not permitted to buy or sell securities issued by JPMC during certain periods throughout the year. Certain “Access Persons” (defined as persons with access to

non-public information regarding BSAM's recommendations to clients, purchases, or sales of securities for client accounts and advised funds) are prohibited from executing personal trades in a security or similar instrument five business days before and after a client or fund managed by that Access Person transacts in that security or similar instrument. A copy of the Code of Ethics will be provided to any client or prospective client upon request.

Information Barrier Policies

JPMC is a global financial services firm that provides a variety of services for, and advice to, many types of clients. Accordingly, some divisions of JPMC, such as investment banking and BSAM, routinely have access to confidential information, which from time to time includes material, non-public information, (i.e., "inside information") and which might cause BSAM to seek to dispose of, retain or increase interests in investments held by clients or acquire certain positions on behalf of its clients. However, in order to prevent the flow of inside information from a so-called "insider" area (e.g., Investment Banking) to a "public" area of JPMC (e.g., BSAM), JPMC has established informational barriers that seek to prohibit anyone in an insider area from communicating or distributing any non-public information, to anyone in a public area.

Employees in insider areas are generally physically separated from employees in public areas. Furthermore, BSAM safeguards investment research and analysis on which its investment decisions are based to prevent "front running" (i.e., the misuse of such information prior to the execution of a trade on behalf of clients). However, subject to certain constraints, employees of BSAM may discuss "best practices" or topics of a general, non-confidential nature with other employees of JPMAM and other parts of JPMC.

From time to time, BSAM and its employees also acquire inside information from non-JPMC sources. Pursuant to JPMC's Code of Conduct and insider trading policies, when such information is obtained, BSAM and its employees are prohibited from using the information to buy or sell securities until the information has been publicly disclosed or is no longer deemed to be material.

As part of a global financial services firm, BSAM may be precluded from effecting or recommending transactions in certain client portfolios due to applicable law and/or other conflicts of interest. As a result, client portfolios managed by BSAM may be precluded from acquiring, or disposing of, certain securities or instruments from time to time. This includes, but is not limited to, the securities issued by JPMC. However, with respect to voting proxies on behalf of BSAM's clients, BSAM, as a fiduciary, will vote proxies independently and in the best interests of its clients, as described below. For additional information on proxy voting, please see Item 17.

Under certain circumstances, BSAM may conclude that transactions in a particular security need to be restricted and therefore, the security may be placed on a "restricted list" and/or "banned list." While the security is on the restricted list and/or banned list, BSAM typically prohibits purchases, sales or all transactions in the security. The reasons for placing a security on the restricted list and/or watch list include, but are not limited to: (i) preventing BSAM from exceeding regulatory investment limitations with respect to the securities of companies in certain regulated industries, such as insurance companies and public utilities; (ii) avoiding a concentration in any particular security; (iii) buttressing an information barrier by preventing the appearance of impropriety in connection with trading decisions or recommendations; and (iv) preventing the use or appearance of the use of inside information.

These information barrier policies and safeguards restrict BSAM's ability to access certain information, which, if known to the Adviser, could cause BSAM to seek to dispose of, retain or increase interests in investments held by clients or acquire certain positions on behalf of its clients, or other information that may be relevant to the management of client assets, while other advisers, including affiliated advisers, have broad access to information and trade differently from the Adviser potentially based on such information not available to BSAM.

Policies on Gifts & Entertainment, Political Contributions and Charitable Contributions

Gifts & Entertainment. BSAM has policies and procedures in place, including the JPMC Code of Conduct, which prohibits employees from accepting gifts, entertainment and other things of material value that may create a conflict of interest or give the appearance of a conflict of interest. Additionally, BSAM employees may not offer gifts, entertainment or other things of material value that could be viewed as attempting to unduly influence the decision making or objectivity of any client or other business partner. Additional restrictions apply to gifts or entertainment to government officials, including state and local officials must be pre-approved by the JPMAM Compliance Department.

Charitable Contributions. Charitable contributions on behalf of JPMC must adhere to the JPMC Global Philanthropy Policy (the "Philanthropy Policy"). The Philanthropy Policy prohibits JPMC and its employees from making, any charitable contributions for the purpose of influencing a current or potential client.

Political Contributions. JPMC has a strict policy against making political contributions on behalf of JPMC, unless pre-approved by the Compliance Department. While employees make personal political contributions in accordance with requirements and restrictions of applicable law, they are prohibited from making contributions for the purpose of obtaining or retaining business with government entities. To help ensure compliance with SEC rules and state and local pay-to-play rules, all political contributions by a BSAM employee, his or her spouse, domestic partner or minor child, require pre-approval from the Compliance Department with certain exceptions.

B. Securities in which the Adviser or a Related Person has a Material Financial Interest

From time to time BSAM recommends, purchases, or sells securities for client accounts in which it, or related persons, has a financial interest. As an example, BSAM can select, on a discretionary basis, funds in which a related person acts as the investment manager, including funds that may hold illiquid securities or the funds to which it or related persons have provided seed capital. BSAM's related persons issue recommendations on securities held by BSAM's client portfolios that are contrary to investment activities of BSAM. Additionally, employees of BSAM, or its related persons, may hold the same or similar securities as client portfolios, and from time to time may recommend such securities for purchase or sale in clients' portfolios in the normal course of business. Similarly, employees or related persons of BSAM who maintain private equity interests may hold the same or similar interest as client portfolios. Furthermore, BSAM and its related persons may invest in a private fund on behalf of their clients, and thereby hold a significant portion of the interests in such private fund. This will give rise to certain conflicts. For instance, preferential terms could be granted to JPMC clients as a result of the aggregate size of the commitments by all of such JPMC clients to a private fund, and as such, could cause BSAM and its related persons to have an incentive not to withdraw an investment from any such private fund when they might otherwise wish to do so for a client in order to preserve the preferential terms for all of their clients. BSAM is guided by specific policies and requirements with respect to valuation of client

holdings. Such policies may include valuations that are provided by third parties, when appropriate, as well as comprehensive internal valuation methodologies. BSAM has established informational barriers and has adopted various policies and safeguards in order to address conflicts of interest that may arise from such activities. For additional information regarding such informational barriers, policies and safeguards, please see Item 11.A.

Trading Practices and Research

Currently, BSAM has no client-directed arrangements, in which certain institutional accounts of BSAM or a related person would execute client-directed orders through a related person on an agency basis. Should that status change, BSAM or a related person will be acting in a fiduciary capacity and the other related person will receive normal consideration for services rendered.

BSAM's related persons may provide brokerage execution and/or clearing services for a fee.

The trading practices of BSAM and its related persons may conflict with the trading activities of BSAM's clients and/or the clients of its advisory affiliates.

In the course of managing portfolios, BSAM may be the recipient of, and may use, research from BSAM's advisory affiliates and possibly related persons.

Potential Conflicts Related to BSAM's Activities

BSAM may invest in direct private equity offerings which involve an advisory affiliate and/or related person who are participants in the offering. Although clients of BSAM may participate in the same offering at the same purchase price as BSAM, advisory affiliates and/or related persons may sell prior to and at a higher price than BSAM's clients. Similarly, BSAM may participate in such offerings at a higher price than advisory affiliates and/or related persons that may already hold an equity position in the issuer. Such investments may provide a return of capital for an existing investment by a related person. In order to address potential conflicts of interest arising from such activities, BSAM has created a process for direct investing which includes a requirement to pre-clear direct investments with the Conflicts Office. The Conflicts Office was established by JPMC to review business activities in order to avoid or manage any actual or perceived conflicts of interests and/or reputational risks. The Conflicts Office reviews activities across JPMC that could give rise to actual or perceived conflicts of interest and associated reputational risk. The Conflicts office works closely with Legal, Compliance and senior business heads to address any such conflicts.

BSAM or related person, from time to time, makes a proprietary investment in U.S. or non-U.S. pooled investment vehicles that may also include client assets managed by BSAM or another unaffiliated entity. As a result of such investment, BSAM may receive representation on the pooled investment's board of directors, advisory committee or another similar group, and may participate in general operating activities. In order to manage conflicts of interest that arise in connection with such activities, all employees are required to report their participation on the board of directors, advisory committee or other similar committees to the Compliance Department. The Compliance Department notifies the JPMC corporate secretary and is responsible for monitoring the activities of employees holding such positions for compliance with BSAM policies.

The Volcker Rule may prohibit or limit the ability of the Adviser and its affiliates to engage in certain of these activities in the future. Among other things, the Volcker Rule generally prohibits pooled investment

vehicles from engaging in transactions that would cause a banking entity or its affiliates to have credit exposure to a pooled investment vehicle managed by its affiliates that would involve or result in a material conflict of interest between the banking entity and its clients, customers or counterparties, or that would result, directly or indirectly, in a material exposure by the banking entity to high-risk assets or high-risk trading strategies. These restrictions could materially adversely affect accounts that are, or are invested in, pooled investment vehicles, because the restrictions could limit a pooled investment vehicle from obtaining seed capital, loans or other commercial benefits from BSAM.

BSAM may sell securities for client accounts during an underwriting or other offering of such securities in which a broker-dealer affiliate of BSAM acts as a manager, co-manager, underwriter or placement agent. BSAM's affiliate may receive a benefit in the form of management, underwriting or other fees. Affiliates of BSAM may also act in other capacities in such offerings and the affiliate may receive a fee, compensation, or other benefit for such services.

From time to time, BSAM or its affiliates may engage in transactions that may be deemed investments in an affiliate. For example, BSAM may purchase on behalf of its clients securities offered by a company in which BSAM is a current investor, or in which an employee and/or an affiliate of BSAM may serve as a director, officer or in another similar capacity. Depending on the percentage of the issuer company's securities held by BSAM, and the type of investment vehicle holding the securities, BSAM or its affiliate may become an affiliate of the issuer company. Such transactions may cause BSAM or its affiliates to receive a direct or indirect benefit (e.g., BSAM may receive advisory fees on the portion of client holdings invested in such affiliated issuers).

Purchases involving affiliated broker-dealers, or other affiliates of BSAM, must comply with the Advisers Act and any other applicable laws or prohibited transaction exemptions.

When permitted by applicable law and a client's investment guidelines, and when considered by BSAM to be in the client's best interest, BSAM may invest the assets of the client in various collective investment vehicles and other securities investment vehicles with respect to which BSAM's affiliates may receive compensation for advisory, administration, trust or other services. When required by law, client consent will be obtained with respect to these investments. In addition, BSAM generally does not charge advisory fees when investing in funds managed by its affiliates.

As part of a global financial services firm, BSAM may be precluded from effecting or recommending transactions in certain client portfolios as a result of applicable law and/or other conflicts of interest. As a result, client portfolios managed by BSAM may be precluded from acquiring, or disposing of, certain securities or instruments from time to time. This includes, but is not limited to, the securities issued by JPMC. However, with respect to voting proxies on behalf of the BSAM's clients, the Adviser, as a fiduciary, will vote proxies independently and in the best interests of its clients, as described in Item 17.

Certain portfolio managers of BSAM may manage multiple client accounts or investment vehicles, but these portfolio managers or employees of the Adviser are not required to devote all or any specific portion of their working time to the affairs of any specific clients and conflicts of interest from time to time arise in allocating management time, services or functions among such clients, including clients that may have the same or similar type of investment strategies.

C. Investing in Securities that the Adviser or a Related Person Recommends to Clients

BSAM or one of its related persons may, for its own account, buy or sell securities or other instruments that BSAM has recommended to clients or purchased or sold for its clients. In addition, JPMC or BSAM's related persons may provide financial, consulting, investment banking, advisory, brokerage (including prime brokerage) and other services to, and receive customary compensation from, an entity in which such private funds invest. In providing such services, JPMC or BSAM's related persons may act in a manner that is directly detrimental to BSAM's clients. Any fees or other compensation received by JPMC in connection with such activities will not be shared with BSAM's clients. Such compensation could include financial advisory fees, monitoring fees, adviser fees or fees in connection with restructurings or mergers and acquisitions, as well as underwriting or placement fees, financing or commitment fees, trustee fees and brokerage fees. Furthermore, although the private funds' investments in such instruments benefit JPMC and other related persons, the activities of the JPMC and related persons are generally carried out independent of the BSAM's clients' investments and may be directly detrimental to the its clients' interests. BSAM has established informational barriers and has adopted various policies and safeguards in order to address conflicts of interest that may arise from such activities. For additional information regarding such informational barriers, policies and safeguards, please see Item 11.A.

D. Conflicts of Interest Created by Contemporaneous Trading

BSAM and its related persons may recommend securities to clients that the Adviser and its related persons may also purchase or sell. As a result, positions taken by the Adviser and its related persons may be the same as or different from, or made contemporaneously or at different times than, positions taken for clients of the Adviser. As these situations involve actual or potential conflicts of interest, the Adviser has adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding preclearance of employee trading, reporting requirements and supervisory procedures that are designed to address potential conflicts of interest with respect to the activities and relationships of related persons that might interfere or appear to interfere with making decisions in the best interest of clients, including the prevention of front-running. In addition, the Adviser has implemented monitoring systems designed to ensure compliance with these policies and procedures.

BSAM and/or its affiliates perform investment services, including rendering investment advice, to varied clients. The Adviser, and/or its affiliates, and its or their directors, officers, agents, and/or employees render similar or differing investment advisory services to clients and may give advice or exercise investment responsibility and take such other action with respect to any of its other clients that differs from the advice given or the timing or nature of action taken with respect to another client or group of clients. It is the Adviser's policy, to the extent practicable, to allocate, within its reasonable discretion, investment opportunities among clients over a period of time on a fair and equitable basis. One or more of the Adviser's other client accounts may at any time hold, acquire, increase, decrease, dispose, or otherwise deal with positions in investments in which another client account may have an interest from time-to-time.

BSAM, and/or its affiliates, and any of its or their directors, partners, officers, agents or employees, may also buy, sell, or trade securities for their own accounts or the proprietary accounts of the Adviser and/or its affiliates. The Adviser, and/or its affiliates, within their discretion, may make different investment

decisions and take other actions with respect to their own proprietary accounts than those made for client accounts, including the timing or nature of such investment decisions or actions. Further, the Adviser is not required to purchase or sell for any client account securities that it, and/or its affiliates, and any of its or their employees, principals, or agents may purchase or sell for their own accounts or the proprietary accounts of the Adviser, its affiliates or clients. BSAM, JPMorgan Chase, and their respective directors, officers and employees face a conflict of interest as they will have income or other incentives to favor their own accounts or proprietary accounts.

E. Other Conflicts of Interest

Potential conflicts of interest also arise involving the allocation of investments and limited investment opportunities, particularly for accounts that allow for the use of leverage. In certain instances, the same portfolio managers may manage accounts with less restrictive investment guidelines that allow for the use of leverage compared with accounts with more restrictive guidelines that only allow a limited use of leverage. In these accounts the portfolio manager generally will allocate investments based on the account's availability of cash, liquidity needs, risk/return profile, and current exposure to the investment, sector, industry or specialized strategies.

Allocations of investments that have limited availability could raise a potential conflict of interest, as BSAM may have an incentive to allocate such securities to favored accounts. For example, BSAM may receive more compensation from one account than it does from a similar account or may receive compensation based in part on the performance of one account, but not a similar account, which could incentivize it to allocate opportunities of limited availability to the account that generates more compensation. In addition, it may be perceived as a conflict of interest to the account that generates more compensation for the Adviser. A conflict could arise when one or more client accounts invest in different instruments or classes of securities of the same issuer than those in which other clients invest. In certain circumstances, one or more client accounts will have different investment objectives or pursue or enforce rights with respect to a particular issuer in which other clients of BSAM have also invested and these activities could have an adverse effect on such other clients. For example, if one client holds debt instruments of an issuer and another client holds equity securities of the same issuer, then if the issuer experiences financial or operational challenges, the client who holds the debt instrument may seek a liquidation of the issuer, whereas the other client who holds the equity securities may prefer a reorganization of the issuer. In addition, an issuer in which a client invests may use the proceeds of the client's investment to refinance or reorganize its capital structure which could result in repayment of debt held by JPMC or another client. If the issuer performs poorly following such refinancing or reorganization, the client's results will suffer whereas the other client's performance will not be affected because the other client no longer has an investment in the issuer. Conflicts are magnified with respect to issuers that become insolvent. It is possible that in connection with an insolvency, bankruptcy, reorganization, or similar proceeding, a client will be limited (by applicable law, courts or otherwise) in the positions or actions it may be permitted to take due to other interests held or actions or positions taken by JPMC.

BSAM has established policies and procedures designed to achieve fair and equitable allocation and execution of investment opportunities among its client accounts over time and these practices are designed to comply with securities laws and other applicable regulations. BSAM monitors a variety of areas, including compliance with account guidelines, investment allocation decisions, compliance with the Code of Ethics, and any material discrepancies in the performance of similar accounts.

BSAM from time to time utilizes the services of affiliated pricing vendors for assistance with the pricing of certain securities. For additional information regarding affiliated pricing vendors see Item 10.C. In

addition, securities for which market quotations are not readily available or for which market quotations are deemed to be unreliable, are fair valued in accordance with established policies and procedures. Fair value situations could include, but are not limited to:

- A significant event that affects the value of a security;
- Illiquid securities;
- Securities that have defaulted or are de-listed from an exchange and are no longer trading; or
- Any other circumstance in which it is determined that market quotations do not accurately reflect the value of the security.

BSAM may value identical assets differently in different private funds due to, among others, different valuation guidelines applicable to such private funds or different third party pricing vendors. Also, it should be recognized that certain units within JPMC may assign a different value to identical assets than BSAM because these units may have certain information regarding valuation techniques and models or other information relevant to the valuation of a specific asset or category of assets, which they do not share with the Adviser.

ITEM 12

Brokerage Practices

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

When selecting brokers for the execution of transactions for client accounts, BSAM considers a number of factors including, but not limited to, the:

- Broker's execution capabilities;
- Commissions charged;
- Broker's reliability for prompt, accurate confirmations and on-time delivery of securities; and
- Broker-dealer firm's financial condition.

Commissions on brokerage transactions may be subject to negotiation. Negotiated commissions take into account the difficulty involved in execution, the extent of the broker's commitment of its own capital (if any), the amount of capital involved in the transaction, and any other services offered by the broker.

One part of obtaining best execution is minimizing counterparty risk. JPMAM's Risk Management Department is responsible for:

- Setting risk policies and procedures worldwide;

- Monitoring implementation of these policies and procedures; and
- Reviewing and approving all proposed trading counterparties.

In an effort to monitor and minimize counterparty risk, the Risk Management Department relies heavily on proprietary research performed by JPMAM's global team of credit and research analysts to make its counterparty assessments. Monitoring credit exposures is an ongoing responsibility and BSAM adjusts limitations on exposure to counterparties as circumstances change.

1. Research and Other Soft Dollar Benefits.

As noted in Item 12.A above, BSAM's primary objective in broker-dealer selection is to be consistent with its duty of best execution of orders for its clients. "Best execution" does not mean the lowest commission and involves a number of factors.

BSAM does not receive any soft dollar benefits, nor does BSAM enter into soft dollar arrangements whereby a broker pays for third party research services. From time to time, BSAM may receive or have access to research generally provided by a broker to the broker's institutional clients that trade with the broker in the sector of the securities markets in which BSAM is active.

2. Brokerage for Client Referrals

BSAM does not select broker-dealers in order to receive client referrals. The factors used by BSAM in selecting broker-dealers in order to execute trades are described in Item 12.A.

3. Directed Brokerage

BSAM does not enter into directed brokerage arrangements.

B. Order Aggregation

BSAM frequently aggregates purchase or sale orders for the same public security for multiple client accounts so that orders can be executed at the same time. BSAM will aggregate orders for accounts over which it has investment discretion and in circumstances in which BSAM believes that aggregating will result in a more favorable overall execution. BSAM will allocate such aggregated orders at the average price of the aggregated order, except in instances where it is impractical or inappropriate. BSAM has practices in place that are designed to promote fair and equitable allocation and execution of investment opportunities among its client accounts over time and that are designed to comply with the securities laws and other applicable regulations.

If aggregated trades are fully executed, participating accounts will be allocated their requested allotment on an average price basis. Partially completed orders generally will be allocated among participating accounts on a pro-rata average price basis, subject to certain limited exceptions in the U.S. The similarity of guidelines and objectives for many accounts in combination with thin markets, price volatility or lack of liquidity in the market may require that an order be filled in multiple executions extending over several

days. To promote fair and equitable allocation over time each account is allocated shares on a pro-rata basis to their original order.

ITEM 13

Review of Accounts

A. Frequency and Nature of Review of Client Accounts or Financial Plans

BSAM's portfolio managers are generally responsible for the daily management of the accounts under their supervision. BSAM regularly reviews all client accounts on a quarterly basis.

The information in this brochure does not include all the specific review features associated with each investment strategy or applicable to a particular client account. Clients are urged to ask questions regarding BSAM's review process applicable to a particular strategy or investment product, read all product-specific disclosures and determine whether a particular investment strategy or type of security is suitable for their account in light of their circumstances, investment objectives and financial situation.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review

In addition to periodic reviews, BSAM may perform reviews as it deems appropriate or otherwise required. Additional reviews of client accounts may be triggered by an investor, compliance monitoring, industry factors, market developments, statutory and regulatory changes and any issues that may have been identified with respect to a client account.

C. Content and Frequency of Account Reports to Investors

BSAM regularly provides written reports to investors that are tailored to the type of investments included in the investor's account. Each of BSAM's investors receives at least one of the following types of account reports:

- A quarterly Statement of Assets, including a list of each asset with cost and current market values.
- Annual audited financial statements, including a schedule of investments, which are sent to fund investors.

Investors generally have the option of receiving these reports via postal mail, e-mail, or fax.

ITEM 14
Referrals and Other Compensation

A. Economic Benefits for Providing Services to Investors

In connection with providing investment advisory services to its investors, BSAM does not receive sales awards, prizes or other economic benefits from someone who is not an investor. Notwithstanding the foregoing and subject to compliance with applicable law, BSAM and related persons derive ancillary benefits from providing investment advisory services to investors. For example, providing such advisory services to the investors generally help BSAM enhance its relationships with various parties, facilitate additional business development and enable BSAM and its related persons to obtain additional business and generate additional revenue. In addition, JPMC may derive ancillary benefits from certain decisions made by BSAM on behalf of investors. While BSAM makes decisions for its investors in accordance with its obligations to manage the assets in the best interests of the investor, the fees, allocations, compensation and other benefits to JPMC arising from those decisions may be greater as a result of certain investment or decisions made by BSAM on behalf of its investors than they would have been had other decisions been made which also might have been appropriate for the investors.

As noted in Item 11.A., the JPMC Code of Conduct does not permit employees to accept anything of value in connection with the business of the firm. Subject to strictly enforced compliance policies, in limited circumstances exceptions may be made for certain nominal non-cash gifts, meals, refreshments and entertainment provided in the course of a host-attended business-related meeting or other occasion.

B. Compensation to Non-Supervised Persons for Investor Referrals

BSAM may compensate affiliated and non-affiliated persons for investor referrals in accordance with Rule 206(4)-3 under the Advisers Act and applicable state laws and regulations. The compensation paid would generally consist of a cash payment computed as a percentage of the Adviser's advisory fee, although other methods of computation may be used. The costs of any such referral fees are paid entirely by BSAM and, therefore, do not result in any additional charges to the investor.

BSAM may compensate registered representatives of its affiliates, independent third party solicitors and placement agents for the referral of investors in accordance with applicable securities regulations. Referral compensation may be in the form of either placement fees or a percentage of BSAM's ongoing management and performance-based fees.

ITEM 15
Custody

BSAM generally does not maintain physical custody of its clients' assets. Client assets are typically held by a qualified custodian. However, pursuant to Rule 206(4)-2 of the Advisers Act, in certain circumstances BSAM may be deemed to have custody of client assets.

BSAM will be deemed to have custody of client assets when it or an affiliate acts in any capacity that gives the Adviser legal ownership of, or access to, client assets, (e.g. when BSAM serves as a general partner, managing member, or comparable position for certain unregistered investment pools). Investors in such private funds will receive the fund's annual audited financial statements. Such investors should review these statements carefully. If investors in the private funds do not receive audited financial statements in a timely manner, then they should contact BSAM immediately.

ITEM 16

Investment Discretion

As described in Item 4.B, BSAM provides discretionary investment management services. Before BSAM can act on behalf of a client, an investment advisory agreement must first be executed. Execution of such agreement authorizes the Advisor to supervise and direct the investment and reinvestment of assets in the client's account on the client's behalf and at the client's risk.

ITEM 17

Voting Client Securities

A. Policies and Procedures Relating to Voting Client Securities

1. Objective

Even though the opportunity to vote proxies is infrequent, agreements between BSAM and its clients usually grant BSAM the authority to vote the proxies of the securities held in the client's portfolio. As a fiduciary, BSAM must act in the best interest of the client including with respect to proxy voting activities. To ensure that the proxies are voted in the best interests of its clients, JPMAM has adopted detailed proxy voting procedures ("Procedures") pursuant to Rule 206(4)-6 under the Advisers Act that incorporate detailed proxy guidelines ("Guidelines") for voting proxies on specific types of issues and to prevent material conflicts of interest from affecting the manner in which proxies are voted. These Procedures incorporate detailed guidelines which address proxy voting with respect to a wide variety of topics including: shareholder voting rights, anti-takeover defenses, board structure, the election of directors, executive and director compensation, mergers and corporate restructuring and social and environmental issues. The Guidelines have been developed and approved by the relevant Proxy Committee (as defined below) with the objective of encouraging corporate action that enhances shareholder value. However, because proxy proposals and individual company facts and circumstances may vary, BSAM will occasionally deviate from the Guidelines if it reasonably believes it is in the client's best interest to do so. Investors may obtain a copy of JPMAM's Proxy Voting Procedures and information about how the Adviser voted the client's proxies by contacting their client service representative or financial adviser.

2. Proxy Administrator and Proxy Committee

To oversee and monitor the proxy-voting process, JPMAM has established a Proxy Committee and appointed a Proxy Administrator in each global location where proxies are voted. The Proxy

Administrator oversees the proxy voting process, monitors recommendations from Proxy Services (defined below) and escalates issues to and confirms recommendations with the appropriate investment professionals of the Adviser. Proxy Committee is composed of a representative of the Proxy Administrator, senior business officers of JPMAM and representatives of each of the Legal, Compliance and Risk Management Departments. The Proxy Committee meets periodically to review and provide advice on general proxy-voting matters and specific voting issues, as well as to review and approve the Guidelines.

3. The Proxy Voting Process

BSAM's investment professionals monitor the corporate actions of the companies held in their clients' portfolios to determine how to vote individual proxies in accordance with the Procedures and Guidelines. To assist its investment professionals with proxy voting proposals, BSAM may retain the services of a third-party proxy voting service, (the "Proxy Service"). BSAM will also retain the Proxy Service in situations where a material conflict of interest may exist. The Proxy Service may assist in the implementation and administration of certain proxy voting-related functions including operational, recordkeeping and reporting services. The Proxy Service also provides BSAM with comprehensive analysis of proxy proposals as well as recommendations on how to vote each proposal that reflect the Proxy Services application of the Adviser's Guidelines to particular proxy issues. In situations where the Guidelines are silent or recommend a case-by-case analysis, the Proxy Administrator (defined below) will forward the Proxy Service's recommendations to BSAM's investment professionals who will determine if the recommendations should be accepted.

While it is BSAM's policy generally to follow the Guidelines and recommendations from the Proxy Service, BSAM's portfolio management teams will seek approval to diverge from the Guidelines or recommendations on certain proxy votes by following an "override" process. To ensure that the proxy vote cast is in the best interest of BSAM's clients, such decisions are subject to a review and approval process, including a determination that the decision is not influenced by any conflict of interest.

4. Material Conflicts of Interest and the Safeguard Policy

In order to maintain the integrity and independence of BSAM's investment processes and decisions, including proxy voting decisions, and to protect BSAM's decisions from influences that could lead to a vote other than in the clients' best interests, JPMC (including BSAM) adopted the Safeguard Policy. The Safeguard Policy established formal barriers designed to restrict the flow of information and influence from JPMC's securities, lending, investment banking and other divisions to JPMAM investment professionals. Material conflicts of interest are further avoided by voting in accordance with JPMAM's predetermined Guidelines. Examples of material conflicts of interest that could arise include circumstances in which: (i) management of a BSAM client or prospective client, distributor or prospective distributor of its investment management products, or critical vendor, is soliciting proxies and failure to vote in favor of management may harm BSAM's relationship with such company and materially impact BSAM's business; or (ii) a personal relationship between a BSAM officer and management of a company or other proponent of a proxy proposal could impact BSAM's voting decisions.

Depending on the nature of the conflict of interest, BSAM may elect to take one or more of the following measures, or other appropriate action:

- Removing certain personnel from the proxy voting process;

- “Walling off” personnel with knowledge of the conflict to ensure that such personnel do not influence the relevant proxy vote;
- Voting in accordance with the applicable Guidelines, if any, if the application of the Guidelines would objectively result in the casting of a proxy vote in a predetermined manner; or
- Deferring the vote to the Independent Voting Service, if any, that will vote in accordance with its own recommendation.

The resolution of all potential and actual material conflict issues will be documented in order to demonstrate that BSAM acted in the best interests of its clients.

B. No Authority to Vote Client Securities and Client Receipt of Proxies

Not applicable.

ITEM 18
Financial Information

A. Balance Sheet

Pursuant to SEC instructions, BSAM is not required to include its balance sheet as part of this Brochure.

B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients

BSAM is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

C. Bankruptcy Filings

BSAM has not been the subject of a bankruptcy petition at any time during the past ten years.